

House File 555 - Introduced

HOUSE FILE _____
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 346)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act increasing the taxes imposed on cigarettes and tobacco
2 products and providing for deposit of the increased revenue
3 generated in the healthy Iowans tobacco trust, and providing
4 an effective date and an applicability provision.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

6 TLSB 1799HV 82

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1 1 Section 1. Section 12.65, subsections 1 and 2, Code 2007,
1 2 are amended to read as follows:

1 3 1. A healthy Iowans tobacco trust is created in the office
1 4 of the treasurer of state. Moneys transferred to the healthy
1 5 Iowans tobacco trust from the endowment for Iowa's health
1 6 account of the tobacco settlement trust fund established in
1 7 section 12E.12, proceeds derived from payment of taxes
1 8 pursuant to section 453A.6, subsection 1, paragraph "a",
1 9 subparagraph (2); section 453A.6, subsection 1, paragraph "b",
1 10 subparagraph (2); section 453A.43, subsection 1, paragraph
1 11 "b"; and section 453A.43, subsection 2, paragraph "b", and
1 12 moneys appropriated or transferred from any other source shall
1 13 be deposited in the healthy Iowans tobacco trust.

1 14 2. Moneys deposited in the healthy Iowans tobacco trust
1 15 with the exception of proceeds derived from payment of taxes
1 16 pursuant to section 453A.6, subsection 1, paragraph "a",
1 17 subparagraph (2); section 453A.6, subsection 1, paragraph "b",
1 18 subparagraph (2); section 453A.43, subsection 1, paragraph
1 19 "b"; and section 453A.43, subsection 2, paragraph "b", shall
1 20 be used only in accordance with appropriations from the
1 21 healthy Iowans tobacco trust for purposes related to health
1 22 care, substance abuse treatment and enforcement, tobacco use
1 23 prevention and control, and other purposes related to the
1 24 needs of children, adults, and families in the state. Moneys
1 25 deposited in the healthy Iowans tobacco trust which constitute
1 26 proceeds derived from payment of taxes pursuant to section
1 27 453A.6, subsection 1, paragraph "a", subparagraph (2); section
1 28 453A.6, subsection 1, paragraph "b", subparagraph (2); section
1 29 453A.43, subsection 1, paragraph "b"; and section 453A.43,
1 30 subsection 2, paragraph "b", shall be used only in accordance
1 31 with appropriations from the healthy Iowans tobacco trust for
1 32 purposes related to health care, substance abuse treatment and
1 33 enforcement, and tobacco use prevention and control.

1 34 Sec. 2. Section 453A.6, subsection 1, Code 2007, is
1 35 amended to read as follows:

2 1 1. There is imposed, and shall be collected and paid to
2 2 the department, the following taxes on all cigarettes used or
2 3 otherwise disposed of in this state for any purpose
2 4 whatsoever:

2 5 a. CLASS A.

2 6 (1) On cigarettes weighing not more than three pounds per
2 7 thousand, ~~eighteen mills~~ one and eight-tenths cents on each
2 8 such cigarette.

2 9 (2) In addition to the tax imposed in subparagraph (1), on
2 10 cigarettes weighing not more than three pounds per thousand,
2 11 five cents on each cigarette.

2 12 b. CLASS B.

2 13 (1) On cigarettes weighing more than three pounds per
2 14 thousand, ~~eighteen mills~~ one and eight-tenths cents on each
2 15 such cigarette.

2 16 (2) In addition to the tax imposed in subparagraph (1), on

2 17 cigarettes weighing more than three pounds per thousand, five
2 18 cents on each cigarette.

2 19 Sec. 3. Section 453A.35, Code 2007, is amended to read as
2 20 follows:

2 21 453A.35 TAX AND FEES PAID TO GENERAL FUND AND HEALTHY
2 22 IOWANS TOBACCO TRUST.

2 23 The proceeds derived from the sale of stamps and the
2 24 payment of taxes, fees and penalties provided for under this
2 25 chapter, and the permit fees received from all permits issued
2 26 by the department, with the exception of the proceeds derived
2 27 from payment of taxes pursuant to section 453A.6, subsection
2 28 1, paragraph "a", subparagraph (2); section 453A.6, subsection
2 29 1, paragraph "b", subparagraph (2); section 453A.43,
2 30 subsection 1, paragraph "b"; and section 453A.43, subsection
2 31 2, paragraph "b", which shall be credited to the healthy
2 32 Iowans tobacco trust created in section 12.65, shall be
2 33 credited to the general fund of the state. All permit fees
2 34 provided for in this chapter and collected by cities in the
2 35 issuance of permits granted by the cities shall be paid to the
3 1 treasurer of the city where the permit is effective, or to
3 2 another city officer as designated by the council, and
3 3 credited to the general fund of the city. Permit fees so
3 4 collected by counties shall be paid to the county treasurer.

3 5 Sec. 4. Section 453A.40, subsection 1, Code 2007, is
3 6 amended to read as follows:

3 7 1. All persons required to obtain a permit or to be
3 8 licensed under section 453A.13 as distributors or section
3 9 453A.44 having in their possession and held for resale on the
3 10 effective date of an increase in the tax rate cigarettes, or
3 11 little cigars, or tobacco products upon which the tax under
3 12 section 453A.6 or 453A.43 has been paid, unused cigarette tax
3 13 stamps which have been paid for under section 453A.8, or
3 14 unused metered imprints which have been paid for under section
3 15 453A.12, or tobacco products for which the tax has not been
3 16 paid under section 453A.46 shall be subject to an inventory
3 17 tax on the items as provided in this section.

3 18 Sec. 5. Section 453A.43, subsections 1, 2, and 3, Code
3 19 2007, are amended to read as follows:

3 20 1. a. A tax is imposed upon all tobacco products in this
3 21 state and upon any person engaged in business as a distributor
3 22 of tobacco products, at the rate of twenty-two percent of the
3 23 wholesale sales price of the tobacco products, except little
3 24 cigars as defined in section 453A.42.

3 25 b. In addition to the tax imposed under paragraph "a", a
3 26 tax is imposed upon all tobacco products in this state and
3 27 upon any person engaged in business as a distributor of
3 28 tobacco products, at the rate of sixty-one percent of the
3 29 wholesale sales price of the tobacco products, except little
3 30 cigars as defined in section 453A.42.

3 31 c. Little cigars shall be subject to the same rate of tax
3 32 imposed upon cigarettes in section 453A.6, payable at the time
3 33 and in the manner provided in section 453A.6; and stamps shall
3 34 be affixed as provided in division I of this chapter.

3 35 d. The ~~tax~~ taxes on tobacco products, excluding little
4 1 cigars, shall be imposed at the time the distributor does any
4 2 of the following:

- 4 3 a- (1) Brings, or causes to be brought, into this state
4 4 from without the state tobacco products for sale.
4 5 b- (2) Makes, manufactures, or fabricates tobacco
4 6 products in this state for sale in this state.
4 7 c- (3) Ships or transports tobacco products to retailers
4 8 in this state, to be sold by those retailers.

4 9 2. a. A tax is imposed upon the use or storage by
4 10 consumers of tobacco products in this state, and upon the
4 11 consumers, at the rate of twenty-two percent of the cost of
4 12 the tobacco products.

4 13 b. In addition to the tax imposed in paragraph "a", a tax
4 14 is imposed upon the use or storage by consumers of tobacco
4 15 products in this state, and upon the consumers, at a rate of
4 16 sixty-one percent of the cost of the tobacco products.

4 17 c. The ~~tax~~ taxes imposed by this subsection shall not
4 18 apply if the ~~tax~~ taxes imposed by subsection 1 on the tobacco
4 19 products ~~has~~ have been paid.

4 20 d. ~~This tax~~ The taxes imposed under this subsection shall
4 21 not apply to the use or storage of tobacco products in
4 22 quantities of:

- 4 23 a- (1) Less than 25 cigars.
4 24 b- (2) Less than 10 oz. snuff or snuff powder.
4 25 c- (3) Less than 1 lb. smoking or chewing tobacco or
4 26 other tobacco products not specifically mentioned herein, in
4 27 the possession of any one consumer.

4 28 3. Any tobacco product with respect to which a tax has
4 29 once been imposed under this division shall not again be
4 30 subject to tax under ~~said~~ this division, except as provided in
4 31 section 453A.40.

4 32 Sec. 6. APPLICABILITY. Notwithstanding section 453A.40 as
4 33 amended in this Act, persons required to obtain a permit or
4 34 license as specified in that section shall not be subject to
4 35 an inventory tax on the items as provided in that section as a
5 1 result of the tax increases provided in this Act.

5 2 Sec. 7. EFFECTIVE DATE. This Act, being deemed of
5 3 immediate importance, takes effect upon enactment.

5 4 EXPLANATION

5 5 This bill relates to an increase in the taxes imposed on
5 6 cigarettes and tobacco products and to the deposit of the
5 7 increased revenue generated in the healthy Iowans tobacco
5 8 trust.

5 9 The bill provides for a tax on cigarettes, in addition to
5 10 the tax of 18 mills (1.8 cents) imposed on each cigarette, of
5 11 5 cents on each cigarette. The effect of the bill is to
5 12 increase the tax on a pack of 20 cigarettes from 36 cents per
5 13 pack to \$1.36 per pack.

5 14 The bill also provides for a tax on tobacco products, in
5 15 addition to the 22 percent of the wholesale sales price for
5 16 distributors and 22 percent of the cost of tobacco products
5 17 for the use or storage by consumers of tobacco products, of 61
5 18 percent of the wholesale sales price and the cost.

5 19 The bill also provides for payment of the inventory tax by
5 20 all persons required to obtain a permit as a distributor of
5 21 cigarettes or to be licensed as a distributor or subjobber of
5 22 tobacco products who have in their possession and hold for
5 23 resale on the effective date of an increase in the tax rate,
5 24 cigarettes, little cigars, or tobacco products upon which the
5 25 tax has been paid, unused cigarette tax stamps which have been
5 26 paid for, unused metered imprints which have been paid for, or
5 27 tobacco products for which the tax has not been paid. The
5 28 bill also provides that, notwithstanding the provision
5 29 relating to the inventory tax, persons required to obtain a
5 30 permit or license as specified in the bill shall not be
5 31 subject to an inventory tax on the items as provided in the
5 32 bill as a result of the tax increase provided in the bill.

5 33 The bill provides that the additional revenue generated
5 34 (the 5 cents per cigarette and the 61 percent on tobacco
5 35 products) is to be deposited in the healthy Iowans tobacco
6 1 trust. However, the bill limits the purposes for which these
6 2 revenues derived from the taxes on cigarettes and tobacco
6 3 products and deposited in the healthy Iowans tobacco trust may
6 4 be used to purposes related to health care, substance abuse
6 5 treatment and enforcement, and tobacco use prevention and
6 6 control. The bill takes effect upon enactment.

6 7 LSB 1799HV 82

6 8 pf:nh/gg/14